CATTLE MARKETING DEDUCTIONS FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Cattle Marketing Deductions Fund as at March 31, 2010 and the statements of operations and change in net financial assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2010 and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 8, 2010

Brian Atkinson, FCA
Acting Provincial Auditor

Statement 1

CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	Provincial Account		National Account		Federal Levies Account				Total	
					Provincial Federal Levies		National Federal Levies			
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial Assets										
Due from General Revenue Fund (note 7)	$ 5,085,397	$ 5,844,834	$ 348,881	$ 387,676	$ 9,881	$ 25,557	$ 10,405	$ 26,909	$ 5,454,564	$ 6,284,976
Accounts receivable	201,655	221,138	182,570	193,288	6,959	9,606	7,324	10,098	398,508	434,130
Accrued interest receivable	3,598	16,307	---	---	---	---	---	---	3,598	16,307
	$ 5,290,650	$ 6,082,279	$ 531,451	$ 580,964	$ 16,840	35,163	$ 17,729	$ 37,007	$ 5,856,670	$ 6,735,413
Liabilities										
Grants payable	$ 268,557	$ 168,241	$ ---	$ ---	$ ---	---	$ ---	---	$ 268,557	$ 168,241
Accounts payable	27,826	69,449	348,881	387,676	9,881	25,557	10,405	$ 26,909	396,993	509,591
	296,383	237,690	348,881	387,676	$ 9,881	25,557	$ 10,405	26,909	665,550	$ 677,832
Net financial assets (Statement 2)	$ 4,994,267	$ 5,844,589	$ 182,570	$ 193,288	$ 6,959	$ 9,606	$ 7,324	$ 10,098	$ 5,191,120	$ 6,057,581

CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF OPERATIONS AND CHANGE IN NET FINANCIAL ASSETS
Year Ended March 31

	Budget	Provincial Account		National Account		Federal Levies Account				Total	
						Provincial Federal Levies		National Federal Levies			
	2010 (note 5)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenues											
Deductions (note 1)	$ 1,597,051	$ 1,538,104	$ 1,797,696	$ 1,355,749	$ 1,616,746	$ 51,346	$ 117,956	$ 51,347	117,971	$2,996,546	$ 3,650,369
Less: Commissions	(43,727)	(39,334)	(46,639)	---	---	(1,508)	(3,537)	---	---	(40,842)	(50,176)
Refund of deductions	(115,000)	(100,270)	(122,535)	---	---	---	---	---	---	(100,270)	(122,535)
Administration fee	---	---	---	---	---	(1,031)	(2,295)	---	---	(1,031)	(2,295)
Net deductions	1,438,324	1,398,500	1,628,522	1,355,749	1,616,746	48,807	112,124	51,347	117,971	2,854,403	3,475,363
Interest (note 7)	225,000	15,298	115,279	---	---	---	---	---	---	15,298	115,279
Other Revenue	---	145,822	429	---	---	---	---	---	---	145,822	429
Total revenue	1,663,324	1,559,620	1,744,230	1,355,749	1,616,746	48,807	112,124	51,347	117,971	3,015,523	3,591,071
Expenses											
Grants	2,000,000	2,371,728	1,474,900	1,365,106	1,629,323	---	---	---	---	3,736,834	3,104,223
Administration (note 3)	25,600	25,648	25,929	---	---	---	---	---	---	25,648	25,929
Advisory committee honoraria and travel	8,000	11,237	9,632	---	---	---	---	---	---	11,237	9,632
Transfers	---	---	---	---	---	51,328	114,187	53,988	120,163	105,316	234,350
Other	---	1,329	---	1,361	---	126	---	133	---	2,949	---
Total expenses	2,033,600	2,409,942	1,510,461	1,366,467	1,629,323	51,454	114,187	54,121	120,163	3,881,984	3,374,134
Surplus (deficit) for the year	$ (370,276)	(850,322)	233,769	(10,718)	(12,577)	(2,647)	(2,063)	(2,774)	(2,192)	(866,461)	216,937
Net financial assets, beginning of year		5,844,589	5,610,820	193,288	205,865	9,606	11,669	10,098	12,290	6,057,581	5,840,644
Net financial assets end of year (Statement 1)		$ 4,994,267	$ 5,844,589	$ 182,570	$ 193,288	$ 6,959	$ 9,606	$ 7,324	$ 10,098	$5,191,120	$ 6,057,581

CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF CASH FLOWS
Year Ended March 31

	2010	2009
Cash flows from (used in) operating activities:		
Receipts from deductions	$ 2,990,167	$ 3,622,415
Interest received	28,007	153,538
Other revenue	143,000	461
Payments to suppliers	(36,885)	(35,561)
Grant and transfer payments	(3,812,808)	(3,333,719)
Refunds paid	(141,893)	(122,535)
Cash flows from operating activities	(830,412)	284,599
Net increase in cash and cash equivalents	(830,412)	284,599
Due from General Revenue Fund, beginning of year	6,284,976	6,000,377
Due from General Revenue Fund, end of year	$ 5,454,564	$ 6,284,976

CATTLE MARKETING DEDUCTIONS FUND
NOTES TO THE FINANCIAL STATEMENTS
As at March 31, 2010

1. Legislative Authority

The Cattle Marketing Deductions Fund (Fund) continues under *The Cattle Marketing Deductions Act, 1998* (Act). The Act established two accounts, the Provincial Account and the National Account in 1998. In 2005, amendments to the Act were proclaimed to recognize the Canadian Beef Cattle Research, Market Development and Promotion Agency (Agency) as the promotion-research agency and to set up a Federal Levies Account. The province of Saskatchewan signed both an agency and a services agreement with the Agency to support the collection and remittance of funds from the National Account and the Federal Levies Account. These agreements also allow the Agency to return Saskatchewan's provincial portion of the federal levies collected in other provinces, which are deposited into the Provincial Account. These changes became effective in Saskatchewan on August 1, 2005.

The purpose of the Provincial Account is to fund programs, projects, and policies related to the development, improvement and promotion of the cattle industry and to pay expenses incurred in the administration of the Act.

The purpose of the National Account is to provide funds, under a services agreement, to the Agency established pursuant to the *Farm Products Agencies Act* (Canada) for the development, expansion, and promotion of the cattle industry. Until July 31, 2005, the Act also allowed the Minister of Agriculture (Minister) to provide grants for promotion and research, through negotiated agreements, to organizations that represented the national interests of the cattle industry.

The purpose of the Federal Levies Account is for depositing levies imposed pursuant to a federal levies order and allowing those levies to be remitted to the Agency per the agency agreement. Dealer commissions of $0.03 per head and administration fees of $0.02 per head are deducted from remittances to the Agency.

The Fund has an Advisory Committee, appointed by the Minister that approves all grant payments.

Pursuant to section 3 of *The Cattle Marketing Deductions Regulations, 2004*, $2.00 per head is to be deducted or collected for each head of cattle sold. A livestock dealer that makes the deduction receives a commission of $0.03 per head. The National Account receives $1.00 a head without any deduction for the dealer's commission.

Section 12 of the Act provides for the refund of deductions received by the Provincial Account only. Any person may claim a refund of deductions for a calendar year by filing a claim by January 31 of the following year.

In May 2010, *The Agri-Food Amendment Act, 2010* was passed. Under this Amendment Act, *The Cattle Marketing Deductions Act, 1998* and *The Cattle Marketing Deductions Regulations, 2004* are repealed. The Fund will be wound up and the remaining assets and liabilities will be transferred to the Saskatchewan Cattlemen's Association. This Act comes into force on proclamation. As of July 8, 2010, this Act has not yet been proclaimed.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Fund is classified as an other government organization. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to the public sector and include the following significant accounting policies:

a) Revenue

Deductions revenue and related commissions are recognized when the cattle are sold.

Refunds of deductions are recognized when the refund application is approved by the Ministry of Agriculture.

b) Grants and transfers

Grants and transfers are expensed when approved and eligibility criteria, if any, have been met by the recipient.

c) Grant refunds

Occasionally, grant recipients voluntarily return unused grant funds. Grant refunds are recorded as revenue when they are received.

d) Use of estimates

These statements are prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Key estimates impact accounts receivable and grants payable. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown agencies that the Government jointly controls or significantly influences.

The Fund made grants totalling $306,000 (2009 - $371,000) to the University of Saskatchewan and $105,000 (2009 - $20,000) to the Western Beef Development Centre, a division of Prairie Agricultural Machinery Institute. Western Beef Development Centre also returned grants received of $20,000 (2009 – nil) to the Fund.

The Livestock Services Revolving Fund provided administrative services to the Fund for an annual fee of $25,000 (2009 - $25,000).

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

4. Commitments

At year end, the Fund's Advisory Committee had approved grants from the Provincial Account totalling $1,045,549 (2009 - $3,164,747) for projects of the following years.

2011	$ 979,059
2012	$ 66,490

Included in these amounts is $10,890 committed to the University of Saskatchewan for 2011 and $11,490 for 2012 and $55,000 committed to the Western Beef Development Centre, a division of Prairie Agricultural Machinery Institute for 2011 and $55,000 for 2012.

Also, the Fund is committed to pay any monies in the National Account and the Federal Levies Account to the Canadian Beef Cattle Research, Promotion and Marketing Development Agency.

5. Budget

The Advisory Committee approved the 2010 budget for the Provincial Account on February 23, 2009.

6. Financial Instruments

Accounts receivable, accrued interest receivable, grants payable, and accounts payable are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair values of these instruments approximate their carrying value.

The Fund is exposed to credit risk from potential non-payment of accounts receivable. However, most of the receivables were collected shortly after year-end, reducing its credit risk.

7. Due from General Revenue Fund

The Fund's money is held in the General Revenue Fund. Interest is calculated on the Fund's daily balance using the Government's thirty-day borrowing rate and is credited to the Provincial Account on a quarterly basis. The Government's average thirty-day borrowing rate for 2010 was 0.27% (2009 – 1.95%).

CATTLE MARKETING DEDUCTIONS FUND
DETAILED LIST OF EXPENSES (UNAUDITED)
For the Year Ended March 31

	2010	2009
Personal Services		
Payees under $50,000	$ 2,340	$ 2,620
Travel		
Other	8,897	7,012
Grants		
Canadian Cattlemen's Association:	638,509	548,570
University of Saskatchewan:		
Veterinary Infectious Disease Organization	250,000	250,000
Project Funding	56,000	121,000
Western Beef Development Centre, a division of Prairie Agricultural Machinery Institute	105,000	20,000
Canadian Beef Cattle Research, Promotion and Marketing Development Agency	1,470,421	1,863,673
Semiarid Prairie Agricultural Research Centre	30,000	30,000
Farm Animal Council of Saskatchewan	25,000	25,000
Saskatchewan Cattle Feeders' Association	142,500	249,780
Saskatchewan Stock Growers' Association	200,000	175,550
Saskatchewan Forage Council	10,000	15,000
Saskatchewan Cattlemen's Association	863,220	---
Saskatchewan Society for Prevention of Cruelty to Animals	32,000	---
Saskatchewan 4-H Council	2,500	---
Canadian Western Agribition	17,000	---
Saskatoon Prairieland Park	---	20,000
CTV	---	20,000
	3,842,150	3,338,573
Supplier Payments		
Payees under $50,000	28,597	25,929
Total	$ 3,881,984	$ 3,374,134